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RUEHK/AMEMBASSY TOKYO 8185
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003781

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TAGS: PGOV TW

SUBJECT: PRESIDENT CHEN WEATHERS POLITICAL CRISIS

Classified By: AIT Acting Director Robert S. Wang,
Reasons: 1.4 (b/d)

¶1. (C) Summary: President Chen offered a range of arguments to defend himself and his wife Wu Shu-chen against corruption charges in a televised statement to the media and public on November 5. At the end of his statement, Chen announced dramatically that he would step down immediately if his wife Wu Shu-chen is found guilty of corruption; Chen, though implicated in the case, enjoys presidential immunity until he leaves office. Predictably, the opposition rejected Chen's arguments, while the DPP voiced support. According to AIT's contacts, DPP members and legislators will continue supporting Chen. One prominent DPP legislator predicted that the party will maintain unity and discipline in blocking the opposition's third-time effort to recall the President, which is expected to come to a vote by November 25. End Summary.

¶2. (C) In a nearly one and a half hour televised presentation to the media on November 5, President Chen Shui-bian defended himself and first lady Wu Shu-chen against the corruption charges filed against Wu on November 3 (Chen is implicated but enjoys presidential immunity from prosecution until he leaves office). Wu has been charged for using her own and friends' personal receipts to submit expense claims to the Presidential Office "State Affairs Fund." President Chen has asserted that the claims were actually used to cover "secret diplomatic" payments, for which there were no receipts. Speaking mostly in Taiwanese to appeal to his DPP base supporters, Chen last night reiterated this defense, insisting no money went into his pocket, and stressed he could not reveal details about the highly sensitive secret diplomacy. He apologized for telling a "white lie" to the prosecutor to protect "diplomatic secrets." Chen also argued that accounting requirements

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forced him to submit the false receipts and he complained about confusing changes in regulations and about the president's lack of a "special budget" allocated to all other Taiwan government executives.

¶3. (C) Chen questioned the logic of the prosecutor's case: why would he embezzle a relatively small amount of money when he had voluntarily given up half of his salary to return to the treasury? President Chen criticized Prosecutor Chen Jui-jen for issuing an indictment before giving him and Wu sufficient opportunities to explain and defend themselves. Acknowledging that Wu had delayed an interview requested by the prosecutor, President Chen said that was only for health concerns, which he laid out in some detail. Chen also accused the prosecutor of revealing state secrets by identifying some sensitive sources in the indictment.

President Chen saved his most dramatic statement for last: he would immediately resign if his wife was convicted of corruption in the first trial. He also expressed confidence that he would be exonerated. Following the press conference, DPP Chairman Yu Shyi-kun and other party leaders appeared on television to express support for President Chen, and the Government spokesperson also conveyed Premier Su's support.

¶4. (C) DPP legislator Bikhim Hsiao told AIT that President Chen's statement last night was helpful and that most of her DPP colleagues are willing to continue supporting him though some believe he should explain more. President Chen, who said he would step down if guilty, is acting courageously in shouldering responsibility and deserves a chance to defend himself. Hsiao also thought Chen's points about protecting national security secrets were credible. The DPP will hold a Central Executive Committee (CEC) meeting on Wednesday, November 8, Hsiao noted. Because the DPP majority believes the President deserves a chance, she did not expect actions to be taken against him at the meeting. She predicted that at the meeting on Wednesday the DPP will decide that DPP legislators will boycott the third recall vote against President Chen, as they did the previous two votes. While some individual legislators, for example, from the New Tide

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faction, may express different opinions at the meeting, they will go along with the decision to support Chen in the interests of party unity. Among her colleagues, Hsiao stressed, there is a strong urge to maintain unity. There is a sense that if the party falls apart, no one will get through the current difficulties.

¶5. (C) DPP Taipei Headquarters Executive Director Moda May told AIT that most party members feel they have no choice but to rally around the President. Despite the initial shock of the prosecutor's report, party unity has rebuilt over the weekend and especially after President Chen's defense on Sunday night. May acknowledged that stepped-up attacks by the pan-Blue opposition could lead independent voters to abandon the DPP. However, such attacks are only heightening the sense of crisis within the ruling party and causing the DPP base, especially in the south, to unite in support of President Chen. In a separate meeting with AIT, several staffers of DPP New Tide (NT) legislators observed that some NT legislators would like to see the DPP suspend President Chen's party rights. However, one of the staffers predicted that the upcoming December 9 mayoral elections in Taipei and Kaohsiung would force the party to remain unified at this time because the candidates, one from the NT faction, would not want to alienate those voters who support President Chen.

¶6. (C) KMT legislator Justin Chou told AIT that the third recall motion against President Chen bill will be placed on the LY agenda on November 10, after passing the LY Procedure Committee tomorrow. After two weeks of evidentiary hearings, the LY will vote on the recall bill by November 25. KMT LY caucus whip Tsai Chin-lung is leading an effort to persuade DPP legislators to cross party lines to support the recall. While DPP legislators are sticking with Chen for the moment, Chou suggested the situation could change if Premier Su Tseng-chang or DPP Taipei mayoral candidate Frank Hsieh

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(Chang-ting) decide to support the recall.

¶7. (C) The Taiwan Solidarity Union (TSU) today withdrew its earlier decision to support the third recall motion against President Chen. The party, which announced it would examine public opinion before deciding whether or not to support the recall, stated that its "spiritual leader" Lee Teng-hui respected the TSU position.

Comment

¶8. (C) President Chen has survived the immediate crisis posed by the prosecutor's report. The legal process against Wu Shu-chen could take many months or even one or more years. Reactions to the President's speech fell predictably along party lines, as most people have strong preconceived views about Chen Shui-bian. The opposition entirely rejected Chen's defense, while most of his supporters accepted it for now. To pass, the third recall motion would require support from the TSU plus an additional 20 or so DPP legislators. The DPP will enforce party discipline on rejecting the recall motion, which seems bound to fail. (Note: Party discipline is imposed upon threat of disciplinary action. To date, violation of DPP party discipline in the LY has been rare, if ever. End Note.) The DPP and KMT may focus their efforts over the next few weeks on the Taipei and Kaohsiung mayoral races. While Taipei seems a lost cause for the DPP, Kaohsiung is still in play.

WANG